

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION OF TEXAS GAS SERVICE COMPANY 2014 GAS RELIABILITY INFRASTRUCTURE PROGRAM RATE ADJUSTMENT FOR THE UNINCORPORATED AREAS OF THE RIO GRANDE VALLEY SERVICE AREA.	§ § § § § § §	GAS UTILITIES DOCKET NO. 10473
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INTERIM RATE ADJUSTMENT ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 (Vernon 2010). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

Background

1. Texas Gas Service Company (TGS) is a "gas utility," as that term is defined in the TEXAS UTILITIES CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. TGS owns and operates a natural gas distribution system known as the Rio Grande Valley Service Area (RGVSA).
3. On October 14, 2015, TGS filed an application for an annual interim rate adjustment (IRA) applicable to the unincorporated customers located in the RGVSA.
4. TGS requested that the IRA for all customer classes become effective on December 13, 2015.
5. On October 21, 2015, the Commission suspended implementation of TGS' proposed IRA until January 27, 2016, which is 45 days following the 60th day after the application.
6. Neither TEX. UTIL. CODE §104.301 nor 16 TEX. ADMIN. CODE §7.7101 provide the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.

7. 16 TEX. ADMIN. CODE §7.7101 allows written comments or a protest, concerning the proposed IRA, to be filed with the Gas Services Division.
8. No letters of protest or comments were received by the Commission in this docket.
9. This docket represents the second annual IRA for TGS in the RGVSA since GUD No. 10285, the most recent rate case for the environs or unincorporated areas of TGS' RGVSA
10. The first IRA for TGS in the RGVSA was GUD No. 10389, which was approved by the Commission on January 27, 2015.
11. Until promulgation of TEX. UTIL. CODE §104.301, a utility could not increase its rates subject to the Commission's jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
12. The proposed IRA will allow TGS an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, GUD No. 10285, without the necessity of filing a statement of intent rate case and without review by the Commission of TGS' comprehensive cost of service.

Applicability

13. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the unincorporated areas of TGS' RGVSA.
14. In 2014, the average monthly number of customers for TGS in the RGVSA was approximately 68,745 customers. Of these, 64,388 are residential customers, 3,687 are commercial and church customers, 55 are industrial customers, 552 are public authority customers, 40 are transportation T-1 customers and 23 are transportation T-2 customers.
15. In 2014, the average monthly number of customers for TGS in the RGVSA unincorporated areas was approximately 3,900 customers. Of these, 3,625 are residential customers, 177 are commercial and church customers, 19 are industrial customers, 53 are public authority customers, 23 are transportation T-1 customers and three are transportation T-2 customers.

Most Recent Comprehensive Rate Case

16. TGS' most recent rate case for the area in which the IRA will be implemented is GUD No. 10285, *Statement of Intent of Texas Gas Service Company to Increase Gas Utility Rates within the Unincorporated Areas of the Rio Grande Valley Texas Service Area*.
17. GUD No. 10285 was filed on June 28, 2013.

18. The Commission signed the GUD No. 10285 Final Order on November 26, 2013, and the rates became effective the same day.
19. The following chart shows the factors that were established in GUD No. 10285¹ to calculate the return on investment, depreciation expense, and incremental federal income taxes for TGS:

Table 1.0
Key IRA Factors

Rate of Return – IRA Filings	8.0845%
Depreciation Rate ²	Various
Federal Income Tax Rate	35%

Interim Rate Adjustment

20. The revenue amounts to be recovered through the proposed annual IRA for TGS are incremental to the revenue requirement established in the most recent rate case for TGS for the area in which the IRA is to be implemented, GUD No. 10285, and subsequent rate adjustments.
21. Under TEX. UTIL. CODE §7.7101(f)(3), for the first IRA following the most recent rate case, a utility may adjust its rates based on the difference between invested capital at the end of the most recent rate case test-year and the invested capital at the end of the calendar year following the end of the most recent rate case test-year.
22. In GUD No. 10389, the first interim rate adjustment following the most recent rate case in GUD 10285, TGS adjusted its rates based on the difference between invested capital from test year end December 31, 2012 to calendar year end December 31, 2013.
23. In this second interim adjustment, TGS adjusted its rates based on the difference between invested capital from test year end December 31, 2013 to calendar year end December 31, 2014.
24. TGS seeks approval from the Commission for an adjustment to its revenue, based on incremental net utility plant investment, with regard to the following components: return on investment; depreciation expense; ad valorem taxes; revenue related taxes; and federal income taxes. The incremental change in revenue requirement to be recovered in this IRA filing from all rate classes using the approved component factors is **\$1,463,665** (Exhibit B), of which **\$120,900** is attributable to customers subject to this order.

¹ Docket No. 10285 Final Order.

² Schedule IRA – 9.

25. The value of TGS' invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment.
26. TGS' incremental net utility plant investment increase is **\$10,358,308** (Exhibit B).
27. TGS is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates for TGS in the most recent rate case for the area in which the IRA is to be implemented, GUD No. 10285.
28. TGS filed the Commission's Annual Earnings Monitoring Report (EMR) as required by 16 TEX. ADMIN. CODE §7.7101. The Company's actual rate of return is 2.53%, which is less than 0.75% in excess of the 8.0845% allowed rate of return established in GUD No. 10285.
29. GUD No. 10285, TGS' most recent Statement of Intent rate case for the unincorporated areas of the RGVSA and the basis for the key factors in an Interim Rate Adjustment (IRA) calculation, was approved by the Commission on November 26, 2013. Customer Charges are shown in Table 2.0, Column B, below.
30. The interim rate adjustments approved for GUD No. 10389, the first IRA application for the unincorporated areas of the RGVSA are shown in Table 2.0, Column C, below.
31. This docket, GUD No. 10473, is the second IRA application for the unincorporated areas of the RGVSA. The proposed 2014 IRA adjustments are shown in Table 2.0, Column D, below.
32. When the Customer Charge and proposed 2014 Interim Rate Adjustments (Columns B, C and D) are added, the resulting customer charge for affected customer classes is shown in Table 2.0, Column E, below.

Table 2.0
Rio Grande Valley Service Area Customer Charges and Interim Rate Adjustments (IRA)

Customer Class	Customer Charge (GUD 10285)	IRA - 2013 (GUD 10389)	IRA - 2014 (GUD 10473)	New Customer Charge
A	B	C	D	E
Residential	\$ 12.08	\$ 1.01	\$ 1.10	\$ 14.19
Commercial	\$ 41.67	\$ 9.03	\$ 9.67	\$ 60.37
Church	\$ 29.17	\$ 9.03	\$ 9.67	\$ 47.87
Public Authority	\$ 45.51	\$ 8.48	\$ 9.35	\$ 63.34
Industrial	\$ 74.02	\$ 58.35	\$ 58.76	\$ 191.13
Transportation T-1	\$ 127.82	\$ 93.09	\$ 103.04	\$ 323.95
Transportation T-2	\$ 327.82	\$ 106.79	\$ 124.83	\$ 559.44

33. TGS filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101.
- Net capital additions included in this docket totaled \$ 10,358,308.¹
 - Gross capital project additions totaled \$ 8,090,754.²
 - Safety-related improvements/infrastructure projects are 70.72% of total net additions.³
 - Integrity testing projects are 30.14% of total net additions.⁴
 - Distribution Integrity Management Program (DIMP) projects are 48.97% of net additions.⁵
 - Pipeline Integrity Management Program (IMP) projects are 30.14% of the total net additions.⁶
 - Steel Pipe Replacement projects are included in DIMP projects.⁷
34. TGS proposed the interim rate adjustment as a flat rate to be applied to the monthly customer charges rather than as a volumetric rate to be applied to the initial block usage rates (Exhibit B).
35. The Company is required to show its annual interim rate adjustments on its customers' monthly billing statements as a surcharge.

¹ Schedule IRA – 3.

² Schedule IRA – 9.

³ Response to Staff's RFI No. 1-9.

⁴ Response to Staff's RFI No. 1-10.

⁵ Response to Staff's RFI No. 1-11.

⁶ Response to Staff's RFI No. 1-12.

⁷ Response to Staff's RFI No. 1-13.

36. The proposed interim rate adjustment does not require an evidentiary proceeding; rather, TEX. UTIL. CODE §104.301 and 16 TEX. ADMIN. CODE, §7.7101 require the regulatory authority to review a utility's method of calculating the interim rate adjustment.
37. Due process protections are deferred until TGS files its next full statement of intent rate case.

Notice

38. Adequate notice by TGS was provided to its residential, church and commercial, public authority, industrial, and transportation customers by bill insert on November 9, 2015, and thus completed within 45 days of the filing, fulfilling the requirements under TEX. UTIL. CODE §104.301(a).

Comprehensive Rate Case Required

39. TGS is not required to initiate a rate case supporting a statement of intent, at the time it applies for an IRA.
40. Under 16 TEX. ADMIN. CODE § 7.7101 (l), a gas utility that implements an IRA and does not file a rate case before the fifth anniversary of the date its initial IRA became effective is required to file a rate case not later than the 180th day after that anniversary.
41. TGS is required to file a statement of intent rate case for the Rio Grande Valley Service Area environs no later than July 11, 2020.
42. Under 16 TEX. ADMIN. CODE § 7.7101(j), any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall be fully subject to review for reasonableness and prudence in the next rate case. Per 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under an interim rate adjustment tariff are subject to refund until the conclusion of the next rate case.

Review of Interim Rate Adjustment

43. TGS' proposed allocation methodology complies with TEX. UTIL. CODE, §104.301, and with 16 TEX. ADMIN. CODE, §7.7101.
44. It is reasonable for the Commission to approve use of the allocation methodology used to determine TGS' overall cost of service (less other revenue, gas cost, and revenue related taxes) as determined in its most recent rate case. The following overall cost of service allocation factors for use in the calculation of TGS' interim rate adjustment are reasonable:

Customer Class	Allocation Factors
Residential	0.5810
Commercial, Church	0.2924
Industrial	0.0266
Public Authority	0.0423
Standard T-1	0.0338
Standard T-2	0.0239
Total	1.0000

45. TGS' proposed customer counts comply with TEX. UTIL. CODE, §104.301, and with 16 TEX. ADMIN. CODE, §7.7101. For calculating the number of customer charges per year, it is reasonable for the Commission to approve use of the 2014 monthly summation of customer bills. The following total numbers of customer charges for use in the calculation of the interim rate adjustment are reasonable:

Customer Class	Annual Number of Customer Charges
Residential	772,658
Commercial, Church	44,239
Industrial	662
Public Authority	6,621
Standard T-1	480
Standard T-2	280
Total	824,940

46. It is reasonable for the Commission to approve TGS' application for an interim rate adjustment. The following amounts of interim rate adjustment revenue and additional customer charges by customer class are reasonable:

Customer Class	Interim Rate Adjustment Revenue	IRA Revenue From Environs	Additional Customer Charge
Residential	\$850,426	\$47,877	\$1.10
Commercial, Church	\$428,003	\$20,520	\$9.67
Industrial	\$38,898	\$13,573	\$58.76
Public Authority	\$61,923	\$5,995	\$9.35
Standard T-1	\$49,461	\$28,440	\$103.04
Standard T-2	\$34,954	\$4,494	\$124.83
Total Increase	\$1,463,665	\$120,900	

Reimbursements of Expense

47. As provided for in the statute and the rule, a gas utility that implements an IRA is required to reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.
48. After the Commission has finally acted on TGS' application for an IRA, the Director of the Oversight and Safety Division will estimate TGS' proportionate share of the Commission's annual costs related to the processing of such applications.
49. In making the estimate of TGS' proportionate share of the Commission's annual costs related to the processing of such applications, the Director will take into account the number of utilities the Commission reasonably expects to file for IRAs during the fiscal year, and the costs expected to be incurred in processing such applications.
50. TGS is required to reimburse the Commission for the amount determined by the Director of the Oversight and Safety Division, within thirty days after receipt of notice of the amount of the reimbursement.

CONCLUSIONS OF LAW

1. TGS is a "gas utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) and §121.001, and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over TGS' applications for IRAs for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301.
3. Under TEX. UTIL. CODE ANN. §102.001, the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE § 7.7101, TGS is required to seek Commission approval before implementing an interim rate adjustment tariff for environs customers.
5. TGS filed its application for an IRA for changes in investment in accordance with the provisions of TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
6. TGS' application for an IRA was processed in accordance with the requirements of TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.

7. In accordance with 16 TEX. ADMIN. CODE §7.315, within thirty days of the effective date of any change to rates or services, TGS is required to file with the Oversight and Safety Division of the Commission its revised tariffs.
8. TGS may not charge any rate that has not been successfully electronically filed and accepted as a tariff filing pursuant to TEX. UTIL. CODE ANN. §§ 102.151 and 104.002 and 16 TEX. ADMIN. CODE § 7.315.
9. In accordance with TEX. UTIL. CODE ANN. § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(a), the filing date of TGS' most recent rate case, in which there is a final order setting rates for the area in which the IRA will apply, was no more than two years prior to the date TGS filed its initial IRA.
10. TGS is required, under TEX. UTIL. CODE ANN. §104.301(e) and 16 TEX. ADMIN. CODE §7.7101(d), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
11. TGS shall include in all future annual IRA filings, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
12. TGS is required, under TEX. UTIL. CODE ANN. §104.301(f) and 16 TEX. ADMIN. CODE §7.7101(e), to file with the Commission an annual earnings-monitoring report demonstrating TGS' earnings during the preceding calendar year.
13. TGS is required, under 16 TEX. ADMIN. CODE §7.7101(h), to recalculate its approved IRA annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous IRA application.
14. In accordance with 16 TEX. ADMIN. CODE §7.7101(i), all amounts collected from customers under TGS' IRA tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an IRA and shall be the subjects of specific findings of fact in the Commission's final order setting rates.
15. In accordance with 16 TEX. ADMIN. CODE §7.7101(j), in the rate case that TGS files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that TGS files or the Commission initiates after the implementation of an interim rate adjustment, any change in investment and related expenses and

revenues that have been included in any interim rate adjustment shall no longer be subject to review for reasonableness or prudence.

16. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE ANN. §104.301(a) and 16 TEX. ADMIN. CODE §7.7101(e).
17. TGS provided adequate notice of its IRA, in accordance with TEX. UTIL. CODE ANN. §104.301(a) and 16 TEX. ADMIN. CODE § 77101(b).
18. TGS' application for an interim rate adjustment, as proposed, complies with all provisions of TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE §7.7101.
19. TGS' interim rate adjustments set forth in the findings of fact and conclusions of law in this Order comply with the provisions of TEX UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE §7.7101.
20. In accordance with TEX. UTIL. CODE ANN. §104.301(h) and 16 TEX. ADMIN. CODE §7.7101(l), TGS shall file a comprehensive rate case for the areas in which the IRA is implemented, no later than the 180th day after the fifth anniversary of the date its initial IRA became effective, or July 11, 2020.
21. The Commission has authority, under TEX. UTIL. CODE ANN. §104.301(j) and 16 TEX. ADMIN. CODE §7.7101(m), to recover from TGS the proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT Texas Gas Service Company's interim rate adjustments for the unincorporated areas of the Rio Grande Valley Service Area, as requested, and to the extent recommended to be approved in the findings of fact and conclusions of law, is **HEREBY APPROVED**, subject to refund, to be effective for bills rendered on or after the date of this order.

IT IS FURTHER ORDERED THAT Texas Gas Service **SHALL** file with the Commission no later than July 11, 2020, a statement of intent to change rates as required under TEX. UTIL. CODE ANN. § 104.301(h) (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101(l).

IT IS FURTHER ORDERED THAT within 30 days of this order Texas Gas Service **SHALL** electronically file its IRA tariff, Exhibit A, in proper form that accurately reflect the rates approved by the Commission in this Order.

IT IS FURTHER ORDERED THAT Texas Gas Service **SHALL** not charge any rate that has not been electronically filed and accepted by the Commission as a tariff.

IT IS FURTHER ORDERED THAT Texas Gas Service **SHALL** reimburse the expenses incurred by the Commission in reviewing this application. The amount of this reimbursement shall be determined by the Director of the Oversight and Safety Division. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is

presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Any portion of TGS' application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 12th day of January, 2016.

RAILROAD COMMISSION OF TEXAS



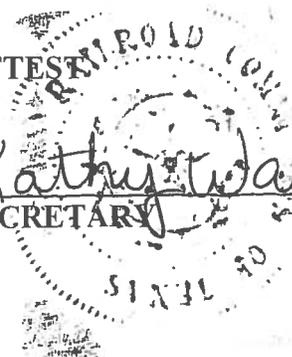
DAVID PORTER
CHAIRMAN



CHRISTI CRADDICK
COMMISSIONER



RYAN SYTON
COMMISSIONER

ATTEST

Kathryn Day
SECRETARY

GUD NO. 10473

EXHIBIT A

Tariffs

RESIDENTIAL SERVICE RATE

APPLICABILITY

Applicable to a residential customer in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, or nursing homes, for domestic purposes.

TERRITORY

All customers in the unincorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of \$12.08 plus	
Interim Rate Adjustments (IRA)	\$2.11 per month (Footnote 1)
Total Customer Charge	\$14.19 per month

All Ccf per monthly billing period @ \$ 0.1784 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

Subject in all respects to applicable laws, rules, and regulations from time to time in effect.

Footnote: 2013 IRA - \$1.01; 2014 IRA - \$1.10

Supersedes Same Sheet Dated
January 27, 2015

Meters Read On and After
January 12, 2016

COMMERCIAL SERVICE RATE

APPLICABILITY

Applicable to commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule.

TERRITORY

All customers in the unincorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of	\$41.67 plus (For Commercial Service)
Interim Rate Adjustments (IRA)	\$18.70 per month (Footnote 1)
Total Customer Charge	\$60.37 per month

A Customer Charge per meter per month of	\$29.17 plus (For Church Service)
Interim Rate Adjustments (IRA)	\$18.70 per month (Footnote 2)
Total Customer Charge	\$47.87 per month

All Ccf per monthly billing period @ \$ 0.1796 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Delivery of Gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residences, hospitals, schools, churches, and other human needs customers as prioritized in the Company's approved Curtailment Program.

Footnote 1: 2013 IRA - \$9.03; 2014 IRA - \$9.67

INDUSTRIAL SERVICE RATE

APPLICABILITY

Service under this rate schedule is available to any customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

- Division B - Mining - all Major Groups
- Division D - Manufacturing - all Major Groups
- Divisions E and J - Utility and Government - facilities generating power for resale only

TERRITORY

All customers in the unincorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of \$74.02 plus	
Interim Rate Adjustments (IRA)	\$117.11 per month (Footnote 1)
Total Customer Charge	\$191.13 per month

All Ccf per monthly billing period @ \$ 0.1648 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residences, hospitals, schools, churches, and other human needs customers as prioritized in the Company's approved Curtailment Program.

Footnote 1: 2013 IRA - \$58.35; 2014 IRA - \$58.76

PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

Applicable to all public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts.

TERRITORY

All customers in the unincorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of	\$45.51 plus
Interim Rate Adjustments (IRA)	\$17.83 per month (Footnote 1)
Total Customer Charge	\$63.34 per month

All Ccf per monthly billing period @ \$0.1869 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residences, hospitals, schools, churches, and other human needs customers as prioritized in the Company's approved Curtailment Program.

Footnote 1: 2013 IRA - \$8.48; 2013 IRA - \$9.35

TRANSPORTATION SERVICE RATE

APPLICABILITY

Service under this rate schedule is available to any Customer of Texas Gas Service Company (“Company”) and to Qualified Suppliers or Producers supplying natural gas to be transported, pursuant to Rate Schedule T-GTC (General Terms and Conditions) for the transportation of Customer owned natural gas through the Company’s Rio Grande Valley distribution system for use by Customers within the Company’s Rio Grande Valley’s Service Area or delivered to connecting pipelines. The Customer must arrange with its gas supplier to have the Customer’s gas delivered to one of the Company’s existing receipt points for transportation by the Company to the Customer’s facilities at the Customer’s delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

Prior to the execution of a Gas Transportation Service Agreement, Customer must represent and certify that its usage shall average five hundred (500) Mcf of gas per month or six thousand (6,000) Mcf annually. The Company shall have the right at all reasonable times, upon prior notice to Customer, to enter onto Customer’s premises and inspect Customer’s facilities and operations to verify such capability. Customer must agree to notify the Company within a reasonable time if there is any change in Customer’s usage. Should Customer’s usage capability average less than five hundred (500) Mcf per month or six thousand (6,000) Mcf annually, Customer must so notify the Company and the Company may discontinue service hereunder except as provided in the Gas Transportation Service Agreement.

AVAILABILITY

Natural gas service under this rate schedule is available to any qualified individually metered, transport Customer for the transportation of Customer owned natural gas through the Company’s Rio Grande Valley distribution system. Such service shall be provided at any point on the Company’s System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

Electronic flow measurement (EFM) may be required for Customers under this tariff at the Company’s sole discretion. The Customer may be required to reimburse the Company for any cost related to the installation of the EFM as well as provide for or reimburse the Company for any on- going maintenance, repair, or communications costs. In the alternative, Customer may elect to discontinue service under this tariff and to receive service under the applicable sales tariff.

Service is not available under this rate schedule for resale to others or for service for a term less than twelve (12) months.

Under this tariff the Company shall perform or cause to be performed all functions necessary to transport the gas commodity from the Point of Receipt to the end-use Customer. The Customer is responsible for acquiring the gas commodity from a third party supplier. Such gas supply must be delivered to the pipeline providing upstream services for the system from which the Customer is served.

Customer shall deliver to Company each month, as reimbursement for lost and unaccounted for gas in the form of Payment in Kind (PIK), a volume of gas equal to the Purchase/Sales ratio authorized to be collected in the Cost of Gas clause times the volume of gas delivered by the Company for the account of Customer for transportation.

TERRITORY

All areas served by the Company in its Rio Grande Valley Service Area.

RATE

This rate shall be the sum of Part A, Part B, and Part C as described below:

Part A: A Customer charge of	\$127.82 per meter per month plus
Interim Rate Adjustment (IRA)	\$196.13 (Footnote 1)
Total Customer Charge	\$323.95

Part B: All volumes of natural gas transported during each month in accordance with this schedule shall be billed at the following Ccf charge:

All Ccf @ \$0. 1301 per Ccf

Part C: "Additional Charges to Cost of Service Rate" pursuant to Rate Schedule T-GTC (General Terms and Conditions for Transportation).

ADDITIONAL CHARGES

1) A charge will be made each month to recover the cost of gross receipts taxes paid to the State of Texas pursuant to the provision of TEXAS UTILITIES CODE, Chapter 122 as such may be amended from time to time which are attributable to the transportation service performed hereunder.

Footnote 1: 2013 IRA - \$93.09; 2014 IRA - \$103.04

2) A charge will be made each month to recover any franchise fees, street rental fees, or other similar privilege fees attributable to the Company's services under this tariff and payable to any municipality wherein the Customer receives gas delivered hereunder.

3) In the event the Company incurs a demand or reservation charge from its gas supplier(s) or transportation providers in the Rio Grande Valley Service Area, the Customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the Customer.

4) Additional charges may be made at the Company's sole discretion for compression, treating, or similar services if the Customer or Qualified Supplier is shipping excess gas off the distribution system.

SPECIAL PROVISIONS

Tariff

General Terms and Conditions for Transportation

T-GTC

OTHER CONDITIONS

Transportation of Customer owned natural gas hereunder is subject in all respects to the Transportation Agreement entered into between the Customer and Company prior to commencement of service and all amendments and modifications thereto.

Transportation of natural gas hereunder may be interrupted or curtailed at the discretion of the Company in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other higher priority Customers served. The curtailment priority of any Customer served under this schedule shall be the same as the curtailment priority established for other Customers served pursuant to the Company's rate schedule which would otherwise be available to such Customer.

PAYMENT

Bills are to be paid within 15 days after the date of Company's bill to Customer.

TRANSPORTATION SERVICE RATE

APPLICABILITY

Service under this rate schedule is available to any Customer of Texas Gas Service Company (“Company”) and to Qualified Suppliers or Producers supplying natural gas to be transported, pursuant to Rate Schedule T- GTC (General Terms and Conditions) for the transportation of Customer owned natural gas through the Company’s Rio Grande Valley distribution system for use by Customers within the Company’s Rio Grande Valley’s Service Area or delivered to connecting pipelines. This rate schedule requires a one year commitment for transportation service. The Customer must arrange with its gas supplier to have the Customer’s gas delivered to one of the Company’s existing receipt points for transportation by the Company to the Customer’s facilities at the Customer’s delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

AVAILABILITY

Natural gas service under this rate schedule is available to any qualified individually metered, transport Customer for the transportation of Customer owned natural gas through the Company’s Rio Grande Valley distribution system. Such service shall be provided at any point on the Company’s System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

Electronic flow measurement (EFM) may be required for Customers under this tariff at the Company’s sole discretion. The Customer may be required to reimburse the Company for any cost related to the installation of the EFM as well as provide for or reimburse the Company for any on- going maintenance, repair, or communications costs. In the alternative, Customer may elect to discontinue service under this tariff and to receive service under the applicable sales tariff.

Service is not available under this rate schedule for resale to others or for service for a term less than twelve (12) months.

Under this tariff the Company shall perform or cause to be performed all functions necessary to transport the gas commodity from the Point of Receipt to the end use Customer. The Customer is responsible for acquiring the gas commodity from a third party supplier. Such gas supply must be delivered to the pipeline providing upstream services for the system from which the Customer is served.

Customer shall deliver to Company each month, as reimbursement for lost and unaccounted for gas in the form of Payment in Kind (PIK), a volume of gas equal to the Purchase/Sales ratio authorized to be collected in the Cost of Gas clause times the volume of gas delivered by the Company for the account of Customer for transportation.

TERRITORY

All areas served by the Company in its Rio Grande Valley Service Area.

RATE

This rate shall be the sum of Part A, Part B, and Part C as described below:

Part A: A Customer charge of	\$327.82 per meter per month plus
Interim Rate Adjustment (IRA)	\$231.62 (Footnote 1)
Total Customer Charge	\$559.44

Part B: All volumes of natural gas transported during each month in accordance with this schedule shall be billed at the following Ccf charge:

All Ccf @ \$0.0548 per Ccf

Part C: "Additional Charges to Cost of Service Rate" pursuant to Rate Schedule T-GTC (General Terms and Conditions for Transportation).

Minimum Monthly Bill of \$1,500 (from the sum of Part A and Part B)

ADDITIONAL CHARGES

- 1) A charge will be made each month to recover the cost of gross receipts taxes paid to the State of Texas pursuant to the provision of TEXAS UTILITIES CODE, Chapter 122 as such may be amended from time to time which are attributable to the transportation service performed hereunder.
- 2) A charge will be made each month to recover any franchise fees, street rental fees, or other similar privilege fees attributable to the Company's services under this tariff and payable to any municipality wherein the Customer receives gas delivered hereunder.
- 3) In the event the Company incurs a demand or reservation charge from its gas supplier(s) or transportation providers in the Rio Grande Valley Service Area, the Customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the Customer.

Footnote 1: 2013 IRA - \$106.79; 2014 IRA - \$124.83

4) Additional charges may be made at the Company's sole discretion for compression, treating, or similar services if the Customer or Qualified Supplier is shipping excess gas off the distribution system.

SPECIAL PROVISIONS

Tariff

General Terms and Conditions for Transportation

T-GTC

OTHER CONDITIONS

Transportation of Customer owned natural gas hereunder is subject in all respects to the Transportation Agreement entered into between the Customer and Company prior to commencement of service and all amendments and modifications thereto.

Transportation of natural gas hereunder may be interrupted or curtailed at the discretion of the Company in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other higher priority Customers served. The curtailment priority of any Customer served under this schedule shall be the same as the curtailment priority established for other Customers served pursuant to the Company's rate schedule which would otherwise be available to such Customer.

PAYMENT

Bills are to be paid within 15 days after the date of Company's bill to Customer.

GUD NO. 10473

EXHIBIT B

Schedules

SUMMARY

TEXAS GAS SERVICE COMPANY
 RIO GRANDE VALLEY SERVICE AREA
 FOR THE PERIOD BEGINNING JANUARY 1, 2014 AND ENDING DECEMBER 31, 2014
 ENVIRONS GRIP FILING

Line No.	Description (a)	12/31/2013 Previous Year (b)	12/31/2014 Current Year (c)	Reference (d)	
1	Net Investment	\$ 82,137,509	\$ 92,495,817	(b) IRA-7 line 88 col (h), (c) IRA-8 lines 88 col (h)	
2	Increase in Net Investment		\$ 10,358,308	IRA-9 line 89 col (h)	
3	Authorized Return on Capital		8.0845%	IRA-15 line 6 col (d)	
4					
5	Change in Return on Net Investment		\$ 837,417	Line 2 * Line 3	
6	Change in Depreciation Expense		\$ 218,053	IRA-9 line 89 col (f)	
7	Change in Federal, Revenue and Other Taxes		\$ 408,194	IRA-5 line 13 col (g) plus IRA-6 line 14 (c)	
8	Change in Revenue Requirement		\$ 1,463,665	Sum of Lines 5 - 7	
9					
10	Annual Number of Bills		824,940		
11	Increase Per Bill Per Month		See Below		
12	(to be applied to monthly customer charge or initial block rate, check on)				
13	<input checked="" type="checkbox"/> Monthly Customer Charge				
14	<input type="checkbox"/> Initial Block Rate				
15					
16					
17					
18	Current and Proposed Bill Information - With Gas Cost				
19					
20		Current	Proposed	Difference	% Change
21	Residential				
22	Average Monthly Bill @ 1.4 Mcf*	\$ 22.16	\$ 23.26	\$ 1.10	4.97%
23					
24	Commercial				
25	Average Monthly Bill @ 41.4 Mcf*	\$ 319.27	\$ 328.95	\$ 9.67	3.03%
26					
27	Church				
28	Average Monthly Bill @ 3.1 Mcf*	\$ 58.31	\$ 67.99	\$ 9.67	16.59%
29					
30	Industrial				
31	Average Monthly Bill @ 324.0 Mcf*	\$ 2,186.30	\$ 2,245.06	\$ 58.76	2.69%
32					
33	Public Authority				
34	Average Monthly Bill @ 31.6 Mcf*	\$ 261.30	\$ 270.65	\$ 9.35	3.58%
35					
36					
37					
38					
39	Current and Proposed Bill Information - Without Gas Cost				
40					
41		Current	Proposed	Difference	% Change
42	Residential				
43	Average Monthly Bill @ 1.4 Mcf*	\$ 15.59	\$ 16.69	\$ 1.10	7.1%
44					
45	Commercial				
46	Average Monthly Bill @ 41.4 Mcf*	\$ 125.05	\$ 134.73	\$ 9.67	7.7%
47					
48	Church				
49	Average Monthly Bill @ 3.1 Mcf*	\$ 43.77	\$ 53.44	\$ 9.67	22.1%
50					
51	Industrial				
52	Average Monthly Bill @ 324.0 Mcf*	\$ 666.32	\$ 725.08	\$ 58.76	8.8%
53					
54	Public Authority				
55	Average Monthly Bill @ 31.6 Mcf*	\$ 113.05	\$ 122.40	\$ 9.35	8.3%
56					
57	Transportation				
58	Regular (T-1) Average Monthly Bill @ 935.6*	\$ 1,438.13	\$ 1,541.17	\$ 103.04	7.17%
59	Large (T-2) Average Monthly Bill @ 2,855.6*	\$ 1,999.48	\$ 2,124.31	\$ 124.83	6.24%
60					
61					
62	*Average bill usage per GUD 10285 filing.				
63	*Average bills exclude revenue related taxes. The cost of gas is computed using a 12 month average for CY 2014.				

INVESTMENT DETAIL - DIRECT AND ALLOCATED CORPORATE AND DIVISION

TEXAS GAS SERVICE COMPANY
 RIO GRANDE VALLEY SERVICE AREA
 FOR THE PERIOD BEGINNING JANUARY 1, 2014 AND ENDING DECEMBER 31, 2014
 ENVIRONS GRIP FILING

Line No	NARUC Account No (a)	Note (see IRA 11) (b)	FERC Account No (c)	F E R C Account Titles (d)	Adjusted Cost (e)	Annual Depreciation (f)	Accumulated Depreciation (g)	Net Plant (h)
1								
2								
3				1. INTANGIBLE PLANT				
4	301	c, d	301	Organization	\$ -	\$ -	\$ -	\$ -
5	302	c, d	302	Franchises & Consents	-	-	-	-
6	303	c, d	303	Misc. Intangible	-	-	-	-
7				Total Intangible Plant	\$ -	\$ -	\$ -	\$ -
8								
9				2. PRODUCTION AND GATHERING				
10	325	c, d	325	Land and Land Rights	\$ (19,656)	\$ -	\$ -	\$ (19,656)
11	327	c, d	327	Field Compressor Station Structures	-	-	-	-
12	328	c, d	328	Field Meas/Reg Station Structures	-	-	-	-
13	329	c, d	329	Other Structures	(1)	(0)	-	(1)
14	332	c, d	332	Field Lines	-	-	-	-
15	333	c, d	333	Field Compressor Station Equip	-	-	-	-
16	334	c, d	334	Field Meas/Reg Station Equip	-	-	-	-
17	336	c, d	336	Purification Equip	-	-	-	-
18	337	c, d	337	Other Equip	-	-	-	-
19				Total Production and Gathering	\$ (19,657)	\$ (0)	\$ -	\$ (19,657)
20								
21				4. TRANSMISSION PLANT				
22	365	c, d	365	Land & Land Rights	\$ 19,656	\$ -	\$ -	\$ 19,656
23	366	c, d	366	Structures & Improvements	-	-	4,888	(4,888)
24	367	c, d	367	Mains	1,334,400	26,295	(223,190)	1,557,590
25	368	c, d	368	Compressor Station Equip	(7,136)	(180)	(1,323)	(5,813)
26	369	c, d	369	Measure/Reg. Station Equipment	(92,963)	(2,287)	114,803	(207,766)
27	371	c, d	371	Other Equipment	(2,034)	(47)	2,155	(4,188)
28				Total Transmission Plant	\$ 1,251,924	\$ 23,782	\$ (102,667)	\$ 1,354,591
29								
30				5. DISTRIBUTION PLANT				
31								
32	374	c, d	374	Land & Land Rights	\$ -	\$ -	\$ -	\$ -
33	375.1	c, d	375.1	Structures & Improvements	(55,932)	(1,443)	3,474	(59,406)
34	375.2	c, d	375.2	Other System Structures	-	-	431	(431)
35	376	c, d	376	Mains	2,222,294	33,193	197,333	2,024,961
36	377	c, d	377	Compressor Station Equipment	-	-	-	-
37	378	c, d	378	Meas. & Reg. Station - General	366,914	5,332	(79,990)	446,904
38	379	c, d	379	Meas. & Reg. Station - C G	201,695	3,109	14,361	187,334
39	380	c, d	380	Services	289,599	5,361	(2,039,484)	2,329,083
40	381	c, d	381	Meters	746,473	5,450	(30,291)	776,763
41	382	c, d	382	Meter Installations	36,221	1,257	49	36,173
42	383	c, d	383	House Regulators	410,344	(2,722)	(28,301)	438,645
43	385	c, d	385	Indust. Meas. & Reg. Stat. Equipment	47,285	728	(3,583)	50,867
44	386	c, d	386	Other Property on Customer Premises	-	-	65	(65)
45	387	c, d	387	Other Equipment	-	-	-	-
46				Total Distribution Plant	\$ 4,264,893	\$ 50,266	\$ (1,965,936)	\$ 6,230,829
47								
48				6. GENERAL PLANT				
49	389	c, d	389	Land & Land Rights	\$ (3,094)	\$ -	\$ -	\$ (3,094)
50	390.1	c, d	390.1	Structures & Improvements	20,748	(563)	24,522	(3,774)
51	390.17	c, d	390.17	Building Improv Plum	(278)	(28)	(8)	(270)
52	390.2	c, d	390.2	Leasehold Improvements	31,382	2,734	(12,342)	43,724
53	390.21	c, d	390.21	Leasehold Equipment EOL	(4,072)	(427)	(1,334)	(2,738)
54	391	c, d	391	Office Furniture & Equipment	(189,991)	(13,382)	(166,912)	(23,079)
55	391.2	c, d	391.2	Data Processing Equipment	(300,470)	(19,245)	(112,930)	(187,540)
56	391.2	c, d	391.2	Oracle Equipment	-	-	-	-
57	391.3	c, d	391.3	Office Machines	512	(18)	1,075	(562)
58	391.4	c, d	391.4	Audio Visual Equipment	(721)	(131)	(249)	(472)
59	391.4	c, d	391.4	Signature Project	(6,290)	(3,145)	(4,848)	(1,441)
60	391.6	c, d	391.6	Purchased Software	695,606	55,392	(82,293)	777,899
61	391.6	c, d	391.6	Banner Software	-	(52)	-	-
62	391.6	c, d	391.6	Dynamic Risk Assessment	-	(251)	-	-
63	391.6	c, d	391.6	Enterprise Plan & Budget	-	(1,263)	-	-
64	391.6	c, d	391.6	GIS Development	-	1,244	-	-
65	391.6	c, d	391.6	Oracle Software	-	135	-	-
66	391.6	c, d	391.6	Ariba Software	-	16	-	-
67	391.6	c, d	391.6	Journey - Employee-ODC Distrigas	-	1,259	-	-
68	391.6	c, d	391.6	Journey - Employee Count	-	(9)	-	-
69	391.6	c, d	391.6	Concur Project	-	6	-	-
70	391.6	c, d	391.6	PowerPlant Software	-	(399)	-	-
71	391.6	c, d	391.6	Riskworks Software	-	(147)	-	-
72	391.6	c, d	391.6	Maximo-Leak Detect System	-	(8,577)	-	-
73	391.8	c, d	391.8	Micro Computer Equipment	29,669	91	(65,678)	95,347
74	391.8	c, d	391.8	Micro Computer Equipment	(5,559)	(1,112)	46,208	(51,767)
75	391.9	c, d	391.9	Computers & Electronic Equipment	135,682	5,977	167,880	(32,198)
76	392	c, d	392	Transportation Equipment	235,854	(335)	(6,849)	242,702
77	392.3	c, d	392.3	Transportation Equipment (Trucks 3/4 to 3 Ton)	(466)	(78)	(324)	(142)
78	392.5	c, d	392.5	Trailers	(31)	(2)	(19)	(12)
79	393	c, d	393	Stores Equipment	(22,183)	(1,479)	(20,962)	(1,222)
80	394	c, d	394	Tools, Shop & Garage Equipment	2,481,658	10,606	119,421	2,362,238
81	395	c, d	395	Laboratory Equip (CNG)	(2,322,568)	-	-	(2,322,568)
82	396	c, d	396	Major Work Equipment	(20,693)	-	(86,081)	65,388
83	397	c, d	397	Communication Equipment	1,751,361	117,216	3,162	1,758,199
84	398	c, d	398	Miscellaneous General Plant	(421)	(28)	(389)	(32)
85				Total General plant	\$ 2,515,633	\$ 144,006	\$ (198,950)	\$ 2,714,583
86								
87				Rule 8 209 Regulatory Asset Balance	\$ 77,961			\$ 77,961
88								
89				Total Original Cost Plant in Service	\$ 8,090,754	\$ 218,053	\$ (2,267,554)	\$ 10,358,308

ALLOCATION OF INVESTMENT RECOVERY

TEXAS GAS SERVICE COMPANY
 RIO GRANDE VALLEY SERVICE AREA
 FOR THE PERIOD BEGINNING JANUARY 1, 2014 AND ENDING DECEMBER 31, 2014
 ENVIRONS GRIP FILING

Allocation Factors Per Rate Case - Docket Nos. 10285	
Residential	0.5810
Commercial, Church	0.2924
Industrial	0.0266
Public Authority	0.0423
Standard T-1	0.0338
Standard T-2	0.0239
Total System	<u>1.0000</u>

Allocation Factors Requested in this filing	
Residential	0.5810
Commercial, Church	0.2924
Industrial	0.0266
Public Authority	0.0423
Standard T-1	0.0338
Standard T-2	0.0239
Total System	<u>1.0000</u>

New Investment Recovery Distribution		
Requested Recovery Amount		\$ 1,463,665
Residential	0.5810	850,426
Commercial, Church	0.2924	428,003
Industrial	0.0266	38,898
Public Authority	0.0423	61,923
Standard T-1	0.0338	49,461
Standard T-2	0.0239	34,954
Total System	<u>1.0000</u>	<u>\$ 1,463,665</u>